

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
Room 30, House Building
January 27, 2015**

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Dixon M. Pitcher, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Curtis S. Bramble
Sen. Wayne A. Harper
Sen. Ann Millner
Sen. Evan Vickers
Rep. Johnny Anderson
Rep. Patrice M. Arent
Rep. Jeremy A. Peterson
Rep. Val L. Peterson
Rep. John R. Westwood
Rep. Mark Wheatley

Members Absent: Sen. Gene Davis
Sen. Jerry W. Stevenson
Rep. James A. Dunnigan
Rep. Brad R. Wilson

Staff Present: Dr. Andrea Wilko, Chief Economist
Ms. Clare Tobin Lence, Fiscal Analyst
Ms. Rosemary Young, Committee Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

Sen. Shiozawa called the meeting to order at 8:07 a.m., welcomed all present, and explained procedures for speaking to the committee.

Budget and Appropriations Subcommittee Overview

Dr. Wilko explained the procedures and the budget process using the on-line resources, particularly pointing out the three how-to videos: Utah Budget Process, Kinds of Appropriations, and COBI Tour and Tutorial. There are links on the subcommittee website to COBI and to H.B. 4 which is the base budget bill. The COBI provides history, issues related to the budget, statutory authority, and previous and current intent language. The Executive Appropriations Committee is treating above-trend revenue as one time. The Committee is beginning session with \$179 M of on-going money to prioritize and \$429 M of one-time money to prioritize. All agencies have been given a 98% target and asked to give a 2% list of prioritized efficiencies. The process for requests for appropriations was explained. Moneys appropriated as a result of these requests are filtered through the related agencies and not paid directly to the entity making the request. The business for subsequent meetings was outlined.

Sen. Shiozawa invited the committee and staff to introduce themselves.

MOTION: Rep. Arent moved to approve the minutes of the September 18, 2014 and October 30, 2014 meetings. The motion passed unanimously.

Using the Department of Commerce for demonstration purposes Dr. Wilko explained the budgeting process using the COBI.

Department of Commerce

Francine Giani, Executive Director, Department of Commerce, accompanied by Peter Anjewierden, Financial Manager, using a slide presentation discussed the Department's mission: to support a favorable business climate. The Commerce Service Fund is a restricted fund which receives all fees collected by the Department and use of that fund is authorized by the legislature. Commerce has received no funds from the General Fund and in July 2014 \$16.4 M was lapsed from the CSF to the General Fund. The Governor's Success Program has helped Commerce to identify and correct inefficiencies which has resulted in additional revenues of \$265,400. The Division of Real Estate is averaging 257 applications per month, 86% are processed within 5 days. The Department supports the Analyst's recommendation for the 2% budget efficiencies. Licensing enforcement is funded through licensing fees, and efficiencies in place have resulted in no request for building block increases in 9 years. The Department is asking to be able to retain resources for increases for investigators who need to be highly trained, which takes about 2 years. The turnover rate for investigators department wide is 82%. Investigators are leaving for higher paying jobs elsewhere. This turnover has a detrimental effect on the efficiency and timeliness of investigations. Numbers applying for jobs has dropped greatly. The Department is also asking for the discretionary pay increase recommended by the Governor's Office in order to retain good employees. They would like to have legislation which would make the non-lapsing intent language permanent.

There was discussion as to what could be done to change the turnover problem and whether there is any discretion on the part of the Department to try to raise the pay of an employee who is about to be hired away. Dr. Wilko explained that the Governor's budget recommendation must be passed by the Executive Appropriations Committee

Public Service Commission

Analyst Tobin-Lence went through the PSC budget using the COBI on line. The Commission regulates public utilities, and no money comes from the General Fund so no 2% reduction was required. Attention was focused on The Speech and Hearing Impaired Program.

Ron Allen, Chair of the Public Service Commission and Gary Widerburg, Executive Manager, distributed a 9-page extract from the Annual Report which will be available on-line by the end of the week. The agency is small having only 21 staff, which is next to smallest in the nation. Everything done is public and goes on-line. The website is psc.utah.gov and displays all the

hundreds of dockets currently being handled and all emails which are received concerning them. It was explained that utilities are part of the infrastructure of the economy, and being monopolies they need oversight which aims to see that all rate payers get the best rates possible and that the service is safe and reliable. A rate of return of up to 10% is allowed to the utility providers. Utah utilities are some of the highest rated in the nation. The Commerce Service Account and the Deaf, Hard of Hearing and Speech Challenged Fund were discussed. Both have decreased recently. The revenue collection rate for the Deaf, etc. account was reduced from \$.05 to \$.02 in May 2014. Rocky Mountain Power's rates are among the lowest in the nation. Rates on natural gas increase and decrease as the price of natural gas fluctuates. The gas company does not make a profit on fuel but on the infrastructure to deliver it. The amount of power deriving from coal has been steadily decreasing and is now 62%. Renewable sources are now 9%.

There was discussion concerning solar users selling back to the grid and concerning the additional demands on the agency to handle the increased activity with the dockets. There is a docket currently on-line discussing net metering.

Gary Widerburg discussed the Deaf, Hard of Hearing & Speech Challenged Program and the reduced rate which has resulted in a decline in the non-lapsing balance in the fund. New technologies are being looked at in this area. By statute hearing aids are not provided, probably because they are very individualized and very expensive.

Tax Commission

Analyst Tobin-Lence discussed the Tax Commission budget referencing the on-line materials and discussed options for the 2% reduction.

John Valentine, Chairman of the Tax Commission, reviewed his transition from senator to commissioner and the new perspective it has brought. The Commission has moved from the paper world to the electronic world. Over 55% of returns on state sales tax are electronic. The number in the income tax area is 80%. Savings result from the move, but increased costs in different areas also result. Utah is being pointed to at national conferences as a leader in innovation and how to do electronic versions of filing taxes.

Barry Conover, Executive Director, State Tax Commission, accompanied by Julie Alsop, Budget Director, explained that the goal of the Tax Commission is to collect and distribute the taxes accurately and effectively. In FY 2014 \$7.873B in taxes were collected and processed, approximately 55% of the state budget. There are 283 jurisdictions to whom taxes are distributed monthly. The Commission is computer bound and has a number of good computer program vendors. There are 751 employees. 54% of people register their vehicles on line or on the spot at the service station, and there are 2.7 M vehicles registered. In 2006 development and maintenance began on new computer systems which are updated every year. It took 3 years to develop the regional income tax automated system. Security is a very important aspect of the Commission's work. Citizens can go on line and monitor their tax accounts through TAP. Just under 1 million telephone calls are handled each year. The agency representative can look at the

return on-line with the caller and discuss it line by line, and the questions are answered with just one call. To avoid identity fraud, a quiz is used to verify identity before some tax returns are issued. On the federal level there is a 50% fraud hit in the earned income credit area. There is fraud in fictitious W-2's claiming erroneous refunds which is picked up by tens of thousands by the Commission.

The budget efficiency 2% reduction are difficult because there are not a lot of discretionary programs. The commission does not want to give up \$205,500 for auditors and collectors because of the return on investment they bring in. The uninsured motorist ID account could be given up to give a savings one time of \$1 M. Funds have been redirected from maintenance, security, and system support elements to equal a 2% reduction.

Two building blocks are requested: make an allocation from the Electronic Payment Fee Restricted Account to cover an increase in motor vehicle registrations and titles which is resulting in a shortfall of \$300,000 this year and \$600,000 next year. Following the prescribed formula the Commission is coming out \$5,500 short for liquor distribution. Non-lapsing intent language is requested. The fee schedule is requested to be changed to cover : CPI increases, increased costs in mailing license plates, and special sheeting for specialty license plates.

There was additional discussion on combating fraud in income tax returns and what is done when a return has been sent to a fraudulent individual. The state does lose when a fraudulent payment is made because it is impossible to find the identity thieves. It was explained that the increased costs for license plates produced at the prison is for materials and equipment. The idea was discussed of getting competitive bids for the mailing of plates.

MOTION: Rep. Westwood moved to adjourn. The motion passed unanimously with Sen. Bramble, Sen. Harper, Sen. Millner, Sen. Vickers, Rep. Anderson, and Rep. V. Peterson absent for the vote.

Sen. Shiozawa adjourned the meeting at 10:27 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Dixon Pitcher, Chair

